

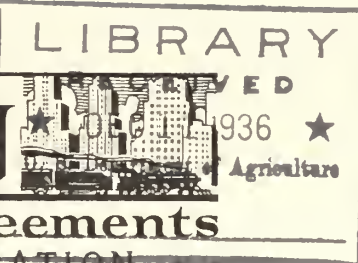
Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.





Better Marketing



Division of Marketing and Marketing Agreements

• • AGRICULTURAL • ADJUSTMENT • ADMINISTRATION •

Vol. I

WASHINGTON, NOVEMBER 28, 1936

NO. 18

PROGRAM WILL DIVERT TOBACCO TO BYPRODUCTS

Plan Is Designed to Reduce Surplus Holdings of Fire-Cured and Dark Air- Cured Types of Tobacco

Surplus fire-cured and dark air-cured types of tobacco will be diverted from normal channels of trade to byproducts for use in agriculture and industry under a program designed to improve returns to growers and reduce surplus holdings.

The diversion program is similar to one in operation during the last year, under which over 15,000,000 pounds of these tobaccos were diverted into nicotine and tobacco extract channels. Among the uses for tobacco byproducts are sprays and dusts for combating plant and animal parasites, and for fertilizers.

Under the program the Secretary of Agriculture offers to make indemnity payments to farmers' tobacco cooperative marketing associations and marketing corporations in connection with the diversion into byproduct uses of fire-cured and dark air-cured tobaccos, U. S. Types 21, 22, 23, 24, and 36 of the crop years 1931 to 1936, inclusive.

Must Apply for Payments

Applications to take part in the program and sales or contracts for the sale of the tobaccos for diversion into byproduct uses must be made by the seller on or before June 30, 1937. Tobacco for diversion must be shipped by the seller on or before December 31, 1937.

The types of tobacco included in the program are produced in central Vir-

(Continued on p. 2)

Kansas City Milk Market License Terminates; Replaced by Order

The license for milk distributors in the Kansas City, Mo., sales area has been terminated effective December 1, when an order providing for a similar milk marketing program for that area becomes operative.

The order, which replaces the license, contains provisions which relate to the classification of milk bought by handlers into three classes according to use, the establishment of minimum prices which handlers are required to pay producers for the various classes of milk, and the proration of payments to producers through a base-rating plan and a market-wide pool. The program under the order will be administered by a market administrator, as in the case of the license.

Government's Purchase Plan Saves Seed Grain for Drought-Hit Area

Over 2,650,000 bushels of seed grain have been purchased and conserved for resale next spring for planting purposes in the drought-affected areas of Montana, Minnesota, North Dakota, and South Dakota, where seed supplies were either materially reduced or virtually wiped out by 1936 drought conditions.

The seed is being procured for the present in the States of intended distribution. The program is a precautionary measure to reserve from milling or

(Continued on p. 3)

50 CARS DRY SKIM MILK BOUGHT FOR RELIEF USE

Represents Biggest Order Placed for Product This Year; Deliveries To Be Made in Three Periods

Awards for the purchase of 2,002,100 pounds of dry skim milk for relief use have been made to nine manufacturers by the Agricultural Adjustment Administration. The awards were made on the basis of bids.

Deliveries will be made in three consecutive 2-week periods, the first period ending December 5. The dry skim milk is to be packed in original containers, either wooden barrels or metal drums, containing approximately 150 pounds net weight. Specifications call for delivery of class A dry skim milk of "Extra" grade for human consumption. The total quantity purchased is equivalent to 50 carloads.

Including the latest purchase, the quantity of dry skim milk bought for relief use so far this year totals 3,595,663 pounds. During 1935 a total of 15,841,630 pounds were bought.

Other Purchases

The dry-skim-milk purchases are made in connection with the surplus-removal operations of the Agricultural Adjustment Administration, which in the case of dairy products are designed to improve returns and market conditions for milk producers. The products bought are turned over to the Federal Surplus Commodities Corporation for distribution to the States for the needy and unemployed. The purchase program was started during the latter part of 1933.

Total purchases to date in addition to dry skim milk include 71,952,854 pounds of butter, 19,050,734 pounds of cheese, and 53,186,385 pounds of evaporated milk. The value of all dairy products bought approximates \$25,000,000.

SURPLUS GRAPEFRUIT BUYING AIDS GROWERS

Government Purchases for Relief Backs Efforts of Growers to Adjust Ship- ments; Gives Support to Prices

Supplementing the efforts which Florida growers and handlers are making this season under a marketing-agreement program to adjust shipments of grapefruit to market, the Agricultural Adjustment Administration has started buying surplus grapefruit for the purpose of averting a collapse of prices to growers. The buying program also seeks to prevent waste by utilizing the surplus fruit through distribution to the needy and unemployed in the various States. Small purchases of surplus grapefruit were made during this week in Texas, and plans are being made to begin early buying of some surplus fruit in the California-Arizona producing area.

Actual buying of Florida grapefruit for relief use began during the last week in October, when a total of 7,165 boxes were bought. In the first 4 weeks in which buying has been under way the Agricultural Adjustment Administration obtained 275 carloads of grapefruit grading U. S. No. 3 or better. This is equivalent to 106,088 boxes. During the week ending November 21 a total of 166 carloads of fruit was bought, the highest amount of any week so far. This fruit is being turned over to the Federal Surplus Commodities Corporation, and is being distributed to the States east of the Mississippi River for relief use.

Prices Paid Growers

Surplus grapefruit is being bought in Florida on a basis of 46 cents per standard field box loaded in cars, of which 31

(Continued on p. 2)

California Asparagus Agreement and License Have Been Terminated

Termination of a marketing agreement and license for handlers of fresh asparagus grown in California became effective November 21.

Both the agreement and license became effective in March 1934, and the industry operated a program under which shipments were adjusted in accordance with market requirements. In April 1935 an amended agreement and another license were issued, but programs under these were not put into operation by the industry largely because weather conditions did not result in the production of a surplus of asparagus for fresh market outlets.



JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

NATHAN KOENIG, *Editor, BETTER MARKETING*

SURPLUS GRAPEFRUIT

(Continued from p. 1)

cents goes to growers. Shippers are paying the State's 3-cent advertising tax and the 1-cent inspection charge out of the 15 cents they receive, leaving 11 cents for such operations as picking, hauling, washing, grading, and loading the bulk fruit in cars.

Purchases of surplus grapefruit in other producing areas are on a basis comparable to that in Florida. In Texas purchases are being made from shippers or growers at the rate of 54 cents per standard 1½-bushel sack loaded in cars, of which 25 cents per sack is allowed for all services in handling the fruit from tree to car, including picking, hauling, packing, inspecting, and loading the sacked fruit in cars. Of the total amount paid, growers thus receive 29 cents per sack, which is equivalent to \$7.50 per ton net on the tree. On the basis of the billing weight of 82 pounds for fruit contained in the Florida field box, the price which growers in Texas net per ton of fruit on the tree is the same as that which Florida growers receive for the same grade of fruit. Purchase programs in both Florida and Texas were developed through conferences with representatives of both shippers and growers.

Record Crop

This season's production of grapefruit is the largest on record. On the basis of the November 1 condition of the crop, the Bureau of Agricultural Economics crop estimates report total production of grapefruit for the marketing season 1936-37 at 27,523,000 boxes, compared with 18,516,000 boxes in 1935-36, and the 5-year 1928-32 average of 14,730,000 boxes. Production of all grapefruit in Florida this season is indicated at 16,500,000 boxes, compared with 11,500,000 boxes last year, and 11,657,000 boxes the 5-year average. This season's Texas grapefruit crop is placed at 6,730,000 boxes, compared with 2,741,000 boxes last year, and 1,457,000 boxes the 5-year average. Production in California this season is indicated at 2,343,000 boxes, compared with 2,275,000 boxes in 1935, and 1,209,000 boxes the 5-year average. Arizona production is estimated at 1,950,000 boxes this season, compared with 2,000,000 boxes last year, and 408,000 boxes the 5-year average.

TOBACCO PROGRAM

(Continued from p. 1)

ginia, western Kentucky and Tennessee, and southern Indiana. The fire-cured tobaccos are used domestically principally in the manufacture of snuff and, to a small degree, for cheroots of the Italian type, and in smoking and chewing tobaccos. The air-cured type is used domestically in the manufacture of smoking and chewing tobaccos. Both the fire-cured and the air-cured types have been important in the export trade of the United States but, due to increase in foreign competition of home-grown and colonial tobaccos, foreign trade restrictions and economic barriers, as well as the general world trend toward lighter tobaccos, the export trade in these American types has been declining.

Until recent years approximately three-fourths of the fire-cured and one-fourth of the dark air-cured tobaccos were exported. While domestic consumption of these types declined only from 88 million pounds in 1923 to about 75 million pounds in 1935, exports dropped from 220 million pounds to 65 million pounds.

Storage Stocks High

Producers of these tobaccos in the United States have attempted to adjust production in keeping with demand conditions, but have been unable to keep pace with the drop in demand. As a result, storage supplies of these tobaccos have become burdensome. Some of these storage stocks are held for the account of farmers' marketing organizations, on which cash advances have been made to growers. While these loans have made possible the holding of surplus stocks and prevented the demoralization of prices for that portion of the crop which could be marketed currently for consumption, active buying to replenish stocks in export outlets has been retarded because some foreign buyers anticipated that the storage stocks might be dumped upon the market at sacrifice prices.

Through the diversion program developed at the request of the growers and their organizations, the industry hopes to bring greater stability to the market for fire-cured and air-cured types of tobacco and to prevent further accumulations of storage stocks from the 1936 crop.

Will Pay Difference

Under the program the indemnity payment is to equal the difference between the amount advanced to the producer by the cooperative or marketing corporation and the price at which the tobacco is sold for nicotine and byproducts uses.

Operation of the program is made possible under the provisions of section 32 of the amendments to the Agricultural Adjustment Act approved last year. This section makes available to the Secretary of Agriculture an amount equivalent to 30 percent of annual customs receipts for uses which include the diversion of surplus agricultural commodities from normal trade channels to encourage domestic consumption of agricultural products and new uses and new outlets.

GOVERNMENT HOLDINGS OF HIDES CUT IN HALF

Federal Surplus Commodities Corporation Obtained Hides As Result of 1934 Drought Cattle Program

More than half the hides and skins accumulated from the Agricultural Administration's 1934 drought cattle have been disposed of by the Federal Surplus Commodities Corporation.

The hides and skins came into the possession of the Federal Surplus Commodities Corporation 2 years ago when the slaughtering of several million head of cattle became necessary in order to salvage meat animals which otherwise would have died from thirst or starvation because of severe drought conditions. The meat from the drought cattle bought by the Agricultural Adjustment Administration was processed and distributed to persons on relief rolls. Of a total of 2,081,775 hides and skins carried over from the 1934 drought program, 1,054,461 had been disposed of by the middle of October of this year.

The most recent offering of hides and skins remaining in the hands of the Federal Government involved 180,000 pieces. This call for bids met with ready response. In offering additional hides and

(Continued on p. 3)

Order for District of Columbia Milk Market Gets Price Change

An amendment to the order for handlers of milk in the District of Columbia marketing area providing for prices to producers identical to those contained in an amendment to the marketing agreement tentatively approved October 27, and which have been in effect since November 1 as a result of negotiations between the market's producers' cooperative and handlers, will become effective December 1.

The amendment writes into the order a minimum price of \$3.24 per hundredweight for class 1 milk which handlers are to pay producers up to April 30, 1937. The former price to producers was \$2.82 per hundredweight of class 1 milk.

Modifications are also made in producers' bases for the remainder of 1936, changing them from 75 percent of deliveries during the 3-month period, October, November, and December of 1935, to 90 percent of the deliveries during that period. Bases in effect for 1937 will represent 90 percent of the average of deliveries made by producers during October, November, and December of 1935 and 1936.

Coupled with the increase in bases is a modification of the schedule of premiums on farm scores of the District Health Department. The increase in premiums together with the increase in price raises the average return to producers for class 1 milk by 47 cents per hundredweight.

Issuance of the amendment was favored by over 99 percent of all producers for whom returned ballots were received and by 86 percent of all producers supplying milk in the District of Columbia market.

EVAPORATED-MILK PRICE SPREADS NOW NARROWER

**Margin Between Farm And Retail Prices
Now 4.7 Cents Less Than In 1921;
Wholesale Spread Also Cut**

A trend toward a narrowing spread between the farm price of milk and the retail price of evaporated milk apparently has encouraged the rather marked increase in production and consumption of evaporated milk in recent years. Shifts in the utilization of milk tend to keep the farm prices of milk used for various purposes, particularly for manufactured dairy products, fairly well in line, according to the Dairy Section.

Prices paid farmers for milk delivered at condenseries have been recorded by the Bureau of Agricultural Economics since 1921. Over a period of years there appears to have been a rather strong tendency for changes in the average price of such milk to correspond fairly closely with changes in the average farm price of butterfat.

Variations Shown

Changes in the relative spreads between farm and retail prices of various dairy products may influence the relative volumes of milk used for specific products, the Dairy Section points out. Several factors may be associated with these price spreads. Some of those factors, such as labor and other operating costs associated with periods of depression and business recovery, may tend to affect price spreads in general. A recent report of the Bureau of Agricultural Economics shows that the combined margin between the farm and retail values of 58 foods about doubled from 1915 to 1920 and then showed a sharp decrease in the postwar depression period. A slight increase occurred from 1922 to 1930, followed by a sharp decrease in the recent depression. Since 1933 the combined margin has shown a moderate increase.

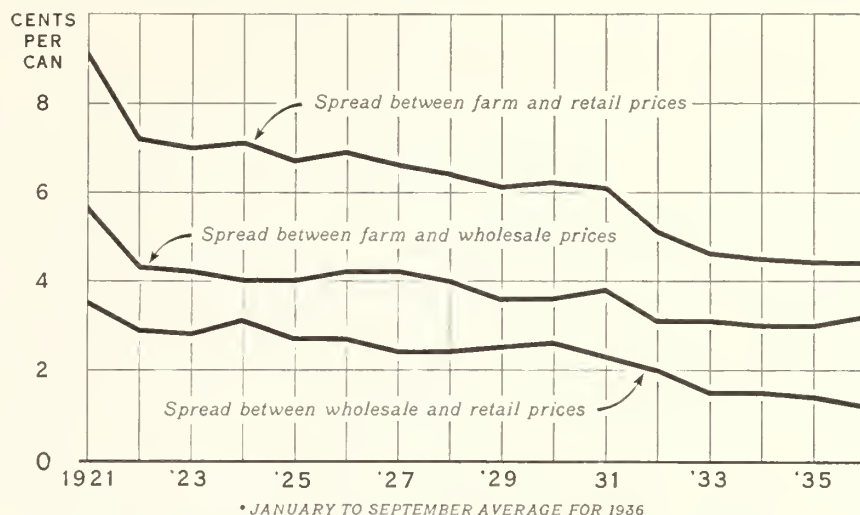
This general course in the margin between the farm and retail values since 1915 has also been characteristic of dairy products as a group.

The spread between the average price paid to farmers for milk delivered at condenseries and the retail price of evaporated milk showed rather sharp decreases in the post-war and the recent depression periods. However, in contrast to the margins of dairy products as a group and the 58 foods as a group, the evaporated-milk margin also showed a rather steady narrowing trend from 1922 to 1930 and from 1933 to 1935.

Spread Narrower

The Dairy Section has computed spreads on the basis of the farm value of 2 pounds of whole milk used per 14.5-ounce can of evaporated milk and the average wholesale and retail prices of evaporated milk. The 14.5-ounce can was generally adopted in 1931. Wholesale and retail prices for earlier years have been converted to a 14.5-ounce basis. These computations show that from the equivalent of about 9.1 cents

EVAPORATED-MILK PRICE NOW LOWER—SPREADS NARROWER



The above graph shows the average spreads between the equivalent price paid farmers for 2 pounds of whole milk delivered at condenseries, the wholesale price and the retail price per 14.5-ounce can of evaporated milk. Since 1921 there has been a general downward trend in the price of evaporated milk and a narrowing of the spreads.

per can in 1921 the spread between the farm and retail prices decreased to 4.4 cents in 1935 and the first 9 months of 1936.

This long-time downward trend in price spread probably has resulted from a combination of factors such as increased efficiency of processing and distributing an expanding volume of evaporated milk, increased competition in the trade, and an increase in use of the product as a leader by many retail stores.

Long-Time Trend

It is significant that both the spreads between the equivalent farm price of milk and the wholesale price of evaporated milk and between the wholesale and retail prices of evaporated milk have shown rather definite long-time narrowing trends. A further rise in labor and other operating costs accompanying general business recovery might result in some increase in these price margins. However, the long-time trends suggest rather strongly that the combined spread probably will continue to be relatively narrow compared with the period 1921 to 1930.

With the farm prices of milk used for different purposes tending to hold a fairly constant relationship, and with a narrowing evaporated milk processing and distributing margin, there has been a long-time tendency toward a decline in the retail price of evaporated milk relative to the retail prices of other dairy products. This situation has been favorable to an increase in the consumption of evaporated milk relative to other dairy products. It probably is a partial explanation of the relatively large production of evaporated milk compared with total milk production in recent years. Advertising and changes in the

general attitude of consumers toward canned foods probably have been other influential factors.

SEED PURCHASES

(Continued from p. 1)

other commercial uses grain best suited for seed purposes. The seed is to be sold to farmers at a price based upon the cost.

Under the program more than a million bushels of spring wheat, 250,000 bushels of durum wheat, a million bushels of oats, 250,000 bushels of flax, and 150,000 bushels of barley have been bought for seed purposes.

This grain is in storage throughout the four States in which the purchases were made, and distribution will be effected in ample time for planting next spring. Grain bought for seed purposes has to be passed upon by competent agronomists familiar with seed quality and the varietal requirements of the areas in which the grain is to be sown.

The seed-purchase program has been conducted through a cooperative arrangement involving the Farmers National Grain Corporation, the Farm Credit Administration, and the Federal Surplus Commodities Corporation.

HIDES

(Continued from p. 2)

skins for sale the Government continues a policy established with the first sale under which the hides and skins have been released in limited quantities in order to avoid any possibility that the market would be unduly burdened by offerings in excess of the ability of the trade to absorb them.

DRY-SKIM-MILK EXPORTS FROM U. S. ARE SMALL

**Imports of Product in Recent Years
Have Been Far Below Sales Abroad;
United Kingdom Principal Buyer**

[This is the second of a series of articles on world trade in dry skim milk as it relates to dry-skim-milk production and marketing in the United States]

Foreign trade of the United States in dry skim milk has followed a rather erratic course, while the quantity of the product involved in exports and imports never has been significant.

Statistics relating to exports of dry skim milk are available only for the period since 1932. Prior to that year the Customs Bureau did not distinguish between dry skim milk and dry whole milk and dry cream. Exports of whole and skim dry milk and dry cream from 1925 to 1931 amounted to 3,648,988 pounds in 1925, decreased to 2,660,921 pounds in 1926, then rose to 6,223,284 pounds in 1930, and to 12,790,303 pounds in 1931. Exports declined to 3,577,000 pounds in 1932 and to 2,450,000 pounds in 1933. They amounted to 3,122,000 pounds in 1934 and to 2,752,000 pounds in 1935.

The five most important importers of American dry milk and cream in 1925 were, in the order of their importance, the Netherlands, China, Japan, the United Kingdom, and Cuba. The Netherlands is the world's largest exporter of dry-milk products, and exports a larger volume of these products to the United States than she imports. The five most important importers of dry milk and cream from the United States in 1931 were the United Kingdom, the Netherlands, France, Canada, and Mexico.

Exports Decline

Exports from United States of dry skim milk from 1932 to 1935 amounted to 1,672,522 pounds in 1932, 891,334 pounds in 1933, 1,430,035 pounds in 1934, and 1,162,564 pounds in 1935. The average declared value per pound of dry skim milk in 1932 was 5.1 cents; in 1933, 7.0 cents; and in 1934 it was 6.6 cents. The corresponding averages of manufacturers' wholesale selling prices of dry skim milk for human consumption, f. o. b. factory, in the United States, as reported by the American Dry Milk Institute, was 4.4 cents in 1932; 5.9 cents in 1933; and 6.3 cents in 1934.

The countries which imported over 100,000 pounds of dry skim milk from the United States in 1932 included the United Kingdom, with imports totaling 584,755 pounds valued at 4.6 cents per pound; Mexico, 390,635 pounds valued at 5.1 cents per pound; Philippine Islands, 201,340 pounds valued at 5.3 cents per pound; and Japan, 104,660 pounds valued at 4.3 cents per pound. In 1934 countries importing over 100,000 pounds of dry skim milk included the United Kingdom with 311,690 pounds valued at 5.3 cents per pound; Argentina, 224,000 pounds valued at 7.5 cents per pound; Philippine Islands, 212,765 pounds valued at 7.7 cents per pound; Mexico, 186,482 pounds valued at 6.8 cents per pound;

and the Netherlands, 108,900 pounds valued at 4.2 cents per pound. Countries importing over 50,000 pounds of dry skim milk from the United States in 1934, in addition to those mentioned, were Canada, Panama, and Newfoundland and Labrador.

Sharp Drop In Imports

Imports of dry milk and cream and malted milk, from 1925 to 1929, were reported as milk powder and amounted to 5,429,549 pounds in the former year and 4,185,675 pounds in the latter year. The principal sources of imports in 1925 were Canada, supplying 4,349,662 pounds; New Zealand, supplying 591,128 pounds; and Australia, supplying 447,905 pounds. The principal sources in 1929 were the Netherlands and Canada, supplying 3,074,386 pounds and 1,084,612 pounds, respectively. Imports in 1930 were reported as dried milk and cream and amounted to 2,603,350 pounds. The Netherlands and Canada continued to be the principal sources of supply. From 1931 to 1933 imports were classified as dried and malted milk and amounted to 1,133,975 pounds in 1931, 591,448 pounds in 1932, and 561,224 pounds in 1933, with the Netherlands and Canada as the principal sources. In 1934 imports were classified as dried whole and dried skimmed milk and amounted to only 4,470 pounds. Imports in 1935, classified as dry skim milk, amounted to 287,441 pounds, with the Netherlands supplying 1,221 pounds, Canada 158,368 pounds, and other countries 127,852 pounds.

FEDERAL PROGRAM AIDS ST. LOUIS MILK MARKET

**Plan in Effect 3 Years Improves Selling
Conditions; Producers' Prices
Show 58 Percent Gain**

Continuous gains in returns and improved selling conditions have been experienced by milk producers supplying the St. Louis, Mo., sales area which, during the last 3 years, has had a marketing program in effect under the provisions of the Agricultural Adjustment Act, according to a summary of the Market Administrator's reports made by the Dairy Section.

The milk marketing program in the St. Louis area first became operative under a marketing agreement and license which went into effect in November 1933, and was replaced by a program under a license which went into effect in March 1934. Last February the program under the license was replaced by one under an order issued by the Secretary of Agriculture under the provisions of the Agricultural Adjustment Act as amended last year.

Major provisions of the first agreement and license related to the classification of milk into three classes according to use and the establishment of minimum prices which handlers were to pay for each class of milk. It also provided for the distribution to producers of the proceeds of sales to distributors through a market-wide pool and base-rating plan.

The base-rating plan of payment was discarded November 16, 1934. The

Marketing Agreement For Colorado Onions Given Tentative Approval

A marketing agreement for handlers of onions grown in Colorado has been tentatively approved and sent to handlers for signature. Colorado onion growers are being requested to indicate whether they favor the issuance of an order embodying the provisions of the agreement.

The marketing agreement program is designed to enable the industry in Colorado to adjust shipments of the grade and size of onions more nearly in accordance with market requirements. It seeks to facilitate the marketing of the Colorado onion crop in the face of the largest production ever grown in this country.

market-wide pool, however, continued in effect in the market until March 4, 1935, when it was replaced by the individual distributor pool plan of paying producers. This method of payment continues to be used in the market, which now operates under an order in effect since February 1, 1936. This order also establishes prices which handlers are required to pay producers. It provides for only two classes of milk, instead of three under the previous license.

Producers Receive More

The St. Louis milk market is supplied by approximately 12,000 farmers in Missouri and Illinois. During last year more than 403,291,000 pounds of milk were delivered by producers.

The gains in returns made during the last 3 years by farmers supplying this milk market are said to reflect improved demand conditions and the part which Federal regulation has played in improving and stabilizing the local market. The extent of these gains is indicated by the fact that the average net price paid to producers for milk delivered f. o. b. country plants in the 41-50 mile zone from St. Louis increased from \$1.16 per hundredweight in September 1933 to \$1.84 per hundredweight in September 1936. This represents an increase of 58 percent. The average net price last September was the highest for any month since October 1930.

Reports From Handlers

Under the Federal milk marketing program each handler of milk in the St. Louis market is required to file periodic reports with the Market Administrator so that payments to producers may be computed, verified, and made public. These reports show receipts of milk from producers, the utilization of this milk, and the sales by handlers during each delivery period.

Federal regulation has enabled the dairy industry in the St. Louis area to make real progress toward stabilizing market conditions. The milk marketing program has made available to the market a uniform plan for buying and selling milk with a uniform method of paying producers. It has made available to all factors in the market accurate facts and statistics relating to the local milk market. Through reports and audits of the books of handlers under the program, it has been possible to verify the accuracy of payments made to each producer.